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Summary record of the 45th meeting
Held at Headquarters, New York, on Thursday, 20 May 2004, at 10 a.m.

Chairman: Mr. Kmoníček ..... (Czech Republic)
Chairman of the Advisory Committee on Administrative and Budgetary Questions: Mr. Kuznetsov

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The meeting was called to order at 10.10 a.m.

Agenda item 121: Programme budget for the biennium 2004-2005 (*continued*)

Capital master plan (*continued*)

1. **Ms. Bertini** (Under-Secretary-General for Management) said that, as the Committee was aware, the host Government had proposed a loan to fund the capital master plan renovation work at a 5.54 per cent interest rate, but that the Secretariat was continuing to discuss the possibility of an interest-free loan with the Government and members of the United States Congress. Among the issues which she and the Secretary-General raised regularly with key United States officials was the concern that the conditions of the loan should be improved.

2. The capital master plan team had briefed members of Congress and their staff a number of times, and would do so again in June 2004 in Washington, D.C., while another delegation from Congress would pay a visit to Headquarters during the summer of 2004 to discuss the capital master plan, among other matters. The Secretariat would look for all possible opportunities to express its views.

3. The Secretariat was considering the prospect of presenting several funding options to the General Assembly at its fifty-ninth session. The first was the existing proposal from the host Government for a 25-year loan at an interest rate of 5.54 per cent. The second was a host Government loan with a shorter repayment period, which would result in a lower interest rate and a lower total cost. The Secretariat had identified nine possible variations of grace period, total duration and disbursement rate, all falling within the parameters of the current host-country proposal. The third was to use the host-country offer as a guarantee against private-sector borrowing, which could provide borrowing options, particularly during the construction period, that would lower the interest rate and thus the total payment. The fourth was to offer Member States a menu of options, such as paying their total assessments up front to avoid paying interest, or paying instead over time with interest under one of the proposed formulas.

4. Discussing the matter at the Assembly's fifty-ninth session would help to keep the project on schedule and ensure that, if the Assembly decided to accept the loan offer from the United States, the proposal could be considered by the United States Congress during the fiscal year from 1 October 2004 to 30 September 2005.

5. The Secretariat had provided for each of the three components of the capital master plan to be funded differently. The refurbishment of the Headquarters complex was the responsibility of the Member States and would be funded from assessments. The Secretariat hoped to offer Member States an opportunity to fund the refurbishment of specific conference rooms. The new building, UNDC5, would be financed separately from the refurbishment project, and at no additional cost to the Member States, by the sale of bonds issued by the United Nations Development Corporation (UNDC). The $1.2 billion cost of the capital master plan had included the rent which the United Nations would owe the United Nations Development Corporation for use of the UNDC5 building as "swing space" while the plan was being implemented. Separate arrangements, similar to those for the UNDC1 and UNDC2 buildings, would apply to any subsequent rental of the UNDC5 building. The primary funding for the new visitors' centre would come from the private sector, through United Nations Associations in the United States and elsewhere. Many Member States had advocated private sector funding and the Secretariat believed that such funding was critical.

6. She would soon be recommending to the Secretary-General the appointment of an advisory board comprised of distinguished experts to provide guidance on financing and construction, since the offer from the host Government, the other possible funding options and the nature of the expert advice needed had become clearer. She hoped to report to the General Assembly in the autumn of 2004 on the appointment of the advisory board and to propose a range of funding modalities at that time.

7. She also hoped that by that time the city and state of New York would have made more progress in securing use of the site at First Avenue and 42nd Street, and that the United States Congress would have considered the bond financing scheme for the new building. UNDC had signed a design contract with renowned architect Fumihiko Maki and had begun a security assessment. Subject to resolution of the various legislative approvals and security issues, UNDC hoped to begin construction in late 2005. The Secretariat hoped to bring that date forward. Before UNDC could proceed with the bond issue and

construction, it must have an agreement to lease the building and it was therefore important for the General Assembly to take a decision on the matter at its fifty-ninth session.

8. The General Assembly had requested further information on the proposed new mid-sized meeting rooms and additional parking capacity and the relevant studies and reports had been completed and submitted. The report on the meeting rooms had addressed the basis for their proposed construction and prospects for allowing more natural light into the rooms, while the report on parking had provided several options, each with cost details. The General Assembly was due to review the reports at its fifty-ninth session.

9. In conclusion, the fifty-ninth session of the General Assembly would be an important and opportune time to discuss all aspects of the capital master plan and to take decisions which would be critical to its timely implementation.

10. **Ms. Stanley** (Ireland), speaking on behalf of the European Union, said that the capital master plan continued to be a priority, particularly for reasons of safety and security. She hoped that the Secretary-General would continue to hold consultations on the loan terms and conditions, since Member States would welcome any steps to make the project more affordable for them. Member States should be presented with as many funding options as possible, and the appointment of an advisory board to help to explore financial alternatives was a positive step.

11. She agreed fully with the view of the Under-Secretary-General that the fifty-ninth session of the General Assembly would be a crucial time for the capital master plan. It was important for Member States to have all the information they needed and the European Union wished to request brief informal consultations during the current part of the resumed session to discuss the matter.

12. **Mr. Repasch** (United States of America) said that the Under-Secretary-General had accurately summarized the discussions and activities connected with the capital master plan. He welcomed the proposed appointment of an advisory board, which had been promised several years previously when the Secretary-General had presented the plan.

13. **Mr. Kramer** (Canada) asked whether the Secretariat could provide an updated time scale for the implementation of the project, since his delegation did not have a clear idea of the order in which events would take place. Such a timetable would assist decision-making at the fifty-ninth session of the Assembly.

14. **Mr. Kozaki** (Japan) supported the request made by the representative of Ireland on behalf of the European Union for informal consultations on the capital master plan.

15. **Mr. Ng'ongolo** (United Republic of Tanzania) said that he would like clarification of the reference which the Under-Secretary-General had made to a lease agreement for the UNDC5 building, since he had the impression that it was in fact a lease-purchase agreement.

16. **Ms. Bertini** (Under-Secretary-General for Management) said that she would ask UNDC to provide a time chart for the UNDC5 project. Because the project was to be financed by a bond issue, UNDC needed an agreement from the Organization to rent the space. The site itself was currently classified as a park. New York City and state law required its use to be redesignated before construction could begin, and the City must therefore make a recommendation to that effect to the state legislature. An additional legal requirement was for new park space to be provided to compensate for the loss of the existing park, and an esplanade had therefore been planned.

17. **Mr. Clarkson** (Office of the Capital Master Plan) said that the agreement between the Organization and UNDC provided for a 30-year lease, at the end of which the Organization would have an option to purchase the building for a nominal sum of $1. If the Organization paid off the bonds issued by UNDC early, it could own the building before the 30-year period expired.

18. **Ms. Udo** (Nigeria) said that she supported the request of the representative of Canada for an updated time chart and would like to know the current situation of the site for the UNDC5 building, since she had been under the impression that New York City had already passed the necessary enabling legislation. She wondered whether its acceptance was in doubt and whether an alternative site had been selected in case there was a problem.

19. **Ms. Bertini** (Under-Secretary-General for Management) said that the necessary enabling

legislation had not yet been passed because New York City was still negotiating with community groups regarding the site. The city had spent a great deal of money on preparation of the architectural work and had signed a contract with an architect, thereby demonstrating that it was committed to the project.

20. No alternative options had been examined because opposition was thought unlikely. The enabling legislation was still pending. It had not been proposed and rejected. The project, moreover, was supported by the mayor and the city council member representing the neighbourhood.

The meeting rose at 10.35 a.m.